means the society ceases to function. There had been numerous cases like this as for example at Koonamuchi, which has become a very famous case A small society with a working capital of 12,000 rupees had to spend about 2,000 rupees on account of the mischief committed by a servant of the Society. So this provision had been adopted in Madras in 1932. Our Bill has been pending for a long time. I request that the House may be pleased to accept the amendment.

Mr. Thomas Manjuran *(Government Advocate and Law Officer).*—I second it.

Amendment was put and carried.

Clause 52 as amended was put and carried.

Clauses 53 to 72 were put and carried.

Clause 1 was put and carried.

Title and preamble were put and carried.

Mr. K. Narayana Menon *(Registrar of Co-operative Societies).*—I beg to move that this Bill may be taken up and passed to-morrow.

Mr. Thomas Manjuran *(Government Advocate and Law Officer).*—I second it.

Motion was put and carried.

Resolution re: guarantee by Government of the debentures issued by the Land Mortgage Bank.

Mr. P. V. Subramania Ayyar *(Comptroller of Accounts).*—I beg to move the following resolution.—

"This Council recommends to Government that the debentures issued by the Land Mortgage Bank to the extent of 20 lakhs of rupees may be guaranteed by the Government both in respect of interest and principal."

Hon'ble Members may be aware that the Land Mortgage Bank has been working for 16 months now. The funds of the Bank for granting loans to agricultural debtors constitute the share certificates, deposits and other borrowings. The main source for the grant of loans is from the issue of debentures.

LIBRARY ARCHIVES Kerala Legislative Assembly

Till now the Government had granted an overdraft account up to 3 lakhs to the Land Mortgage Bank for the grant of these loans and this Land Mortgage Bank has been lending amounts to agricultural debtors. You will have observed from the annual report of the Land Mortgage Bank that a good portion of that amount has been lent out now. The Balance remaining is only very small at present. Over and above the loans granted by the Land Mortgage Bank, the amount of loans already granted by the Government under the Special Loan scheme was also to be taken charge of by the Land Mortgage Bank and included in the loan granted by the Land Mortgage Bank itself. There is a provision in the Regulation itself for transferring all these amounts to the Land Mortgage Bank and under a Notification these amounts have already been transferred to the Land Mortgage Bank. That comes to Rs. 2,30,000 and including the over-draft sum of Rs. 3,00,000 the total amount which would be required by the Land Mortgage Bank for repayment to the State would be about 5 lakhs and odd. It is to enable the Land Mortgage Bank to repay this amount to Government that a debenture to the extent of Rs. 5,00,000 is proposed to be raised by the Bank. The raising of a debenture to this extent has to be done immediately. Though neither in the rules nor in the Regulation there is the obligation on the part of the Government to obtain the sanction of the House it was thought desirable that the leave of the House is obtained for guaranteeing this loan by the Government in respect of its principal and interest. Elsewhere the practice has been that such debentures issued by the Land Mortgage Bank used to be guaranteed by the Government concerned. It may be within your memory that recently the Madras Government allowed a guarantee to the extent of a crore of rupees to their Land Mortgage Bank. Instead of coming to the House every now and then for getting a guarantee of the debentures issued by the Land Mortgage Bank it is proposed that a guarantee may be given to the extent of 20 lakhs in respect of principal and also interest thereon, so that the Land Mortgage Bank may be able to function properly. In respect of the question about the rate of interest I think that the Land Mortgage Bank in a recent resolution to issue debentures to the extent of five lakhs has stated that the rate of interest is 4 per cent free of income tax at source, I mean thereby that the income tax payable on the interest on the debentures would have to be paid by the Bank to the Government. I do not know whether the Bank has come to a decision in regard to the period of repayment. I request that the House may be pleased to agree to this resolution.

LIBRARY ARCHIVES Kerala Legislative Assembly

Mr. T. K. Nayar *(Pazhayannur).*—When the Government guarantees principal as well as interest should not the Government see that the rate of interest is also as low as possible. Is it the opinion of the Government that the minimum interest is 4 per cent?

Mr. President.—The Land Mortgage Bank before finally deciding the rate of interest took the consent of the Government on account of this guarantee. I had a deputation of some of the Directors of the Land Mortgage Bank and it was agreed that on the whole it would be attractive to have 4 per cent interest. One of the disadvantages which this Land Mortgage Bank has in the eyes of the investors is that they are drawing every year to the extent of 1/20 of the amount subscribed and the investor gets back that amount there being no fixed payment for the debentures. First class investors do not come to the Land Mortgage Bank. In the Madras Land Mortgage Bank the rate of interest offered is 3½ per cent. That debenture is guaranteed by the Madras Government and taking these factors into consideration it was thought that 4 per cent will probably be a decent rate of interest for the debentures. There is another reason why this 4 per cent was fixed. It is the intention of Government and also of the Land Mortgage Bank to encourage the small investors in the State itself to take up the Land Mortgage Bank debentures and therefore what is proposed is preference will first be given to the subjects of the State in the allotment of these debentures. To enable the small investors to take advantage of these handsome investments it is proposed by the Land Mortgage Bank to come to an arrangement with some leading banks so that a person who may not have the full amount of investment may get the help of the bank. For instance, a poor man may like to invest 1,000 rupees. He may not have the amount. Suppose he deposits 100 rupees in the Central Bank of India or any other bank. The bank will, on the strength of these debentures advance 900 rupees for the purchase of these debentures and the bank will get it repaid in easy instalments. With a view to afford these facilities it was thought, especially with regard to the small investors of the State, that 4 per cent would be a fairly attractive rate. So far as the investors are concerned it is free of income tax. But Government felt that since the Land Mortgage Bank, though primarily intended for the benefit of the agriculturist, is, more or less, a commercial institution and therefore it should also bear the burdens of taxation. It was therefore agreed that though the investor will get it free of income

LIBRARY ARCHIVES Kerala Legislative Assembly

tax, the Bank itself will pay to the Government the income tax on these investments.

Mr. E. Ikkanda Warriar *(Urakam)*.—Will the Government be pleased to state the cash surplus? We had taken a loan of 30 lakhs and 75 lakhs. Will the Government be pleased to tell us how much of that amount has been spent and what will be the approximate cash surplus?

Mr. P. V. Subramania Ayyar *(Comptroller of Accounts)*.—About 55 lakhs.

Mr. E. Ikkanda Warriar *(Urakam)*.— Is there any amount that is proposed to be spent out of this 55 lakhs?

Mr. President.—We have got the commitments on the harbour and the diversion of the railway.

Mr. E. Ikkanda Warriar *(Urakam)*.—May I know when these will have to be paid?

Mr. President.—In the course of the next two years.

Mr. C. R. Iyyunni *(Trichur North)*.—What is the total amount disbursed, both by the Special Loan Officer and the Land Mortgage Bank?

Mr. President.—It will approximately come to 4½ lakhs.

Mr. C. R. Iyyunni *(Trichur South)*.—What is the rate of interest for this over draft account?

Mr. President.—Three per cent.

Mr. K. P. Kannan Nair *(Joint Secretary to Government)*.—I second the resolution.

Resolution was put and carried.

The Cochin Village Panchayat Regulation Amendment Bill—Sec. 5.

Mr. Thomas Manjuran *(Government Advocate and Law Officer)*.—Sir, I rise to move that the Cochin Village Panchayat Regulation Amendment Bill be read in Council. In a recent amendment to the Panchayat Regulation, namely 33 of 1111, certain transitory provisions were introduced but it was found in practice that the transitory provisions are not elastic enough to cover cases of Presidents and members of Panchayats who were elected or appointed after that Regulation came into force but for vacancies that existed on or before the due date on

LIBRARY ARCHIVES Kerala Legislative Assembly